

THE STAR

ENTERTAINMENT
GROUP

THE STAR ENTERTAINMENT GROUP

PRESENTATION AT MORGANS CONFERENCE

WEDNESDAY
9 OCTOBER
2019

THE STAR ENTERTAINMENT GROUP

THE STAR ENTERTAINMENT GROUP LIMITED (ASX: SGR)

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- ◆ Normalised EBIT and Normalised EBITDA are calculated based on normalised gross revenue, commissions and normalised taxes. Significant items are excluded from the normalised results
- ◆ Queensland results referred to in this presentation relate to The Star Gold Coast and Treasury Brisbane segments as reported in the Financial Report
- ◆ The presentation of net revenue after player rebates and commissions also includes the restatement of FY2018 results for comparative purposes following the adoption of AASB 15 from 1 July 2018. Complimentary revenue is included within domestic gaming revenue

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INTRODUCTION

GROWTH ASSETS PORTFOLIO

Today

Sydney and Gold Coast – recently upgraded, expanded

3 properties
Sydney, GC, Brisbane

1,389
Premium Hotel Keys

4,783
Slots cap

Unlimited
Tables and MTGMs

- ◆ Sheraton Grand Mirage Gold Coast (50% share)
- ◆ GCCEC (management rights)

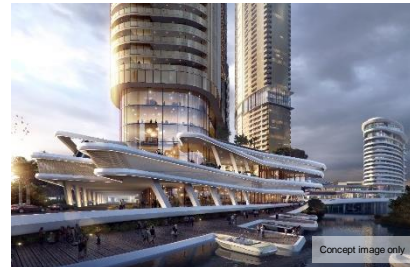
Projects Underway

Queen's Wharf Brisbane



- ◆ New integrated resort

The Star Gold Coast



- JV mixed use towers*:
- ◆ 1st under construction
- ◆ 2nd in presales

The Star Sydney



- ◆ Sovereign Resorts

Capital Efficient Approach

- ◆ Partners with complementary skills, assets
- ◆ Mixed use developments

周大福企業有限公司
Chow Tai Fook Enterprises Limited



Customers

Domestic focus
International diversification

* Master plan for up to 5 towers, subject to market and regulatory conditions and all approvals

EARNINGS

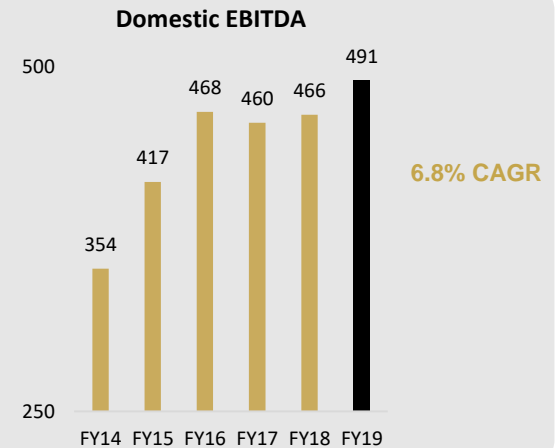
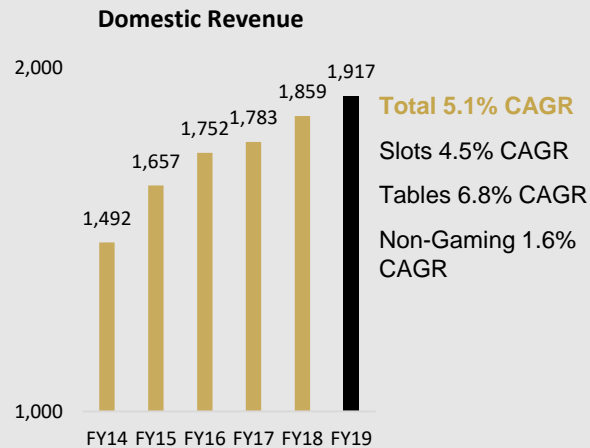
DOMESTIC FOCUS, LONG-TERM GROWTH

FY2019 Earnings Mix

- 88% of earnings is domestic (FY2019 normalised EBITDA)

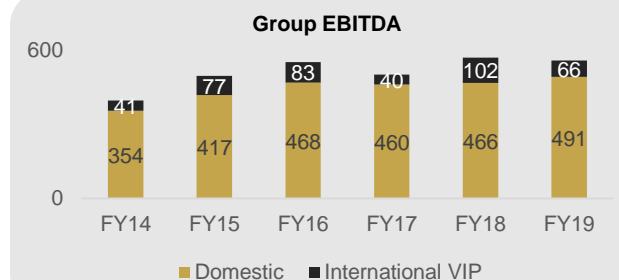


Long-term Domestic Growth



Diversifying VIP

- 12% of earnings (FY2019 EBITDA)
- High ROIC business
- Continued shift to higher margin International Premium Mass



STRATEGY

FOCUS ON RETURNS

Large Attractive Markets

\$24bn
Domestic Gambling
Market

\$42bn
Domestic F&B
Market

\$44bn
Inbound Tourism

\$35bn
International VIP

Growth Assets

Assets

- ◆ Sydney and Gold Coast recently upgraded, expanded
- ◆ Valuable long-term licences
- ◆ Properties in desirable locations
- ◆ Large catchments (locals, tourism)

Growth Projects

- ◆ Sydney – Sovereign Resorts (FY2020)
- ◆ Gold Coast – Masterplan
- ◆ Brisbane – Queen's Wharf
- ◆ Enhanced gaming and traffic drivers
- ◆ Further growth identified

Competitive Capabilities

Domestic

- ◆ Gaming and Marketing leadership
- ◆ Loyalty
- ◆ Hospitality

Inbound/ Tourism

- ◆ Asian partners
- ◆ Third party hotel brands
- ◆ Hospitality

Execution Focus: Operational, Development, Commissioning

Complementary Partners

周大福企業有限公司
Chow Tai Fook Enterprises Limited

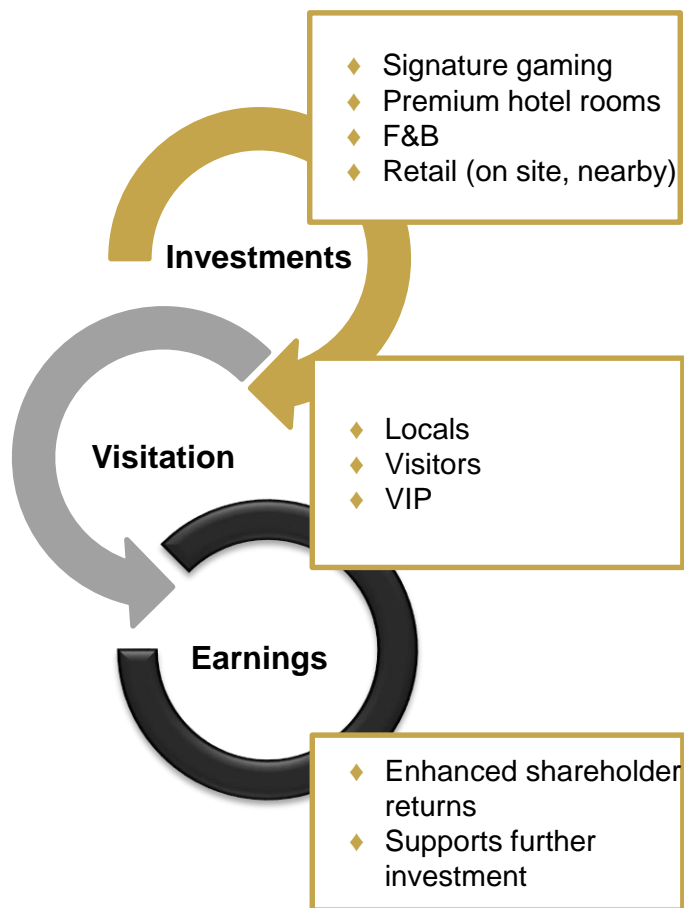


- ◆ Development
- ◆ Retail/ distribution
- ◆ Hospitality
- ◆ Capital

Source: Australian Gaming Statistics, Eating Out in Australia, Tourism Research Australia, broker reports

FY2019 RECAP – DELIVERING ON OUR STRATEGY

Our Strategy



Our Delivery

- 1 Continued above system growth in domestic gaming**
 - Slots market share gains, consolidation at all properties
 - Solid tables growth
 - Continued PGR growth
- 2 Improve capital efficiency in low growth environment**
 - Capex reduced (group and JV contributions)
 - Process to release capital from supporting assets
- 3 Effective capital project management**
 - Sydney Sovereign Resort
 - Gold Coast investments
 - Queen's Wharf Brisbane
- 4 Focused on shareholder returns**
 - Strategic positioning – privileged assets and partnerships
 - Operational leadership – centres of excellence
 - Continuous cost management
 - Capital efficiency
 - Dividends

DERISKING INITIATIVES

Restructure Delivers ~\$40m Cost Benefits

Enhanced Operating Model

- ◆ Centres of excellence
- ◆ Improves capability, processes, decision-making

Drives Significant Cost Benefits

- ◆ ~\$40m annualised cost benefits achieved by mid-August 2019
- ◆ ~\$45m by end 1H FY2020

Service Levels Maintained

- ◆ No staff on enterprise awards affected
- ◆ Management roles ~75% of cost reductions

Capital Expenditure Optimised

Down ~\$125m vs Prior Guidance

- ◆ SGR-only capital works further optimised – FY2020-21 reduced ~\$125m vs prior guidance
- ◆ Reflects asset repurposing, technology
- ◆ No change to major growth projects (Queen's Wharf Brisbane, Gold Coast masterplan, Sydney Sovereign Resorts)

	Prior Guidance *	Updated Guidance **	Δ at Midpoint
Group capex (excl. JV contributions)	<ul style="list-style-type: none"> • FY2020: \$300-350m • FY2021: \$200-250m 	<ul style="list-style-type: none"> • FY2020: ~\$250m • FY2021: ~\$175m 	<ul style="list-style-type: none"> • ~\$75m • ~\$50m
JV contributions	<ul style="list-style-type: none"> • FY2020: \$175-225m • FY2021: \$125-175m 	<ul style="list-style-type: none"> • FY2020: \$175-200m • FY2021: Unchanged 	<ul style="list-style-type: none"> • ~\$13m • Nil

Queen's Wharf Brisbane Derisking

Lump Sum Contracts

- ◆ ~60% of project costs under lump sum contract, in line with budget
- ◆ Further ~28% of project costs expected by end FY2020

* Provided at FY2018 results. ** Provided at FY2019 results.

CAPITAL PROJECTS PROCEEDING TO PLAN

The Star Sydney

Recently Completed

- ◆ Astral lobby and porte cochere, main entry foyer upgrades completed 2H FY2019

Sovereign 2.0 on Schedule

- ◆ \$220m upgrade and expansion to complete 4Q FY2020
- ◆ Limited impact on customers expected

The Star Gold Coast

Recently Completed

- ◆ Harvest Buffet and PGR (Oasis) upgrade complete 1H FY2019

First JV Tower Commenced

- ◆ Construction commenced, FY2022 expected completion
- ◆ ~\$370m development costs, doubles property capacity
- ◆ Modest equity required (~\$30m for SGR, pre apartment sales)

Masterplan in Place

- ◆ Second JV tower presales commenced, progressing to plan
- ◆ 3 additional towers, subject to market and regulatory conditions

Queen's Wharf Brisbane

Progressing to Plan, Derisked

- ◆ Excavation completed July 2019, in line with timetable and budget
- ◆ ~60% of project costs under lump sum contract terms (shell, core and façade stage contracted July 2019)
- ◆ Further ~28% of project costs expected under lump sum contract terms by end FY2020 (pedestrian bridge, fit-out)
- ◆ SGR 50% share, committed debt financing in place in FY2020

THE STAR SYDNEY

2H FY2019 MILESTONES



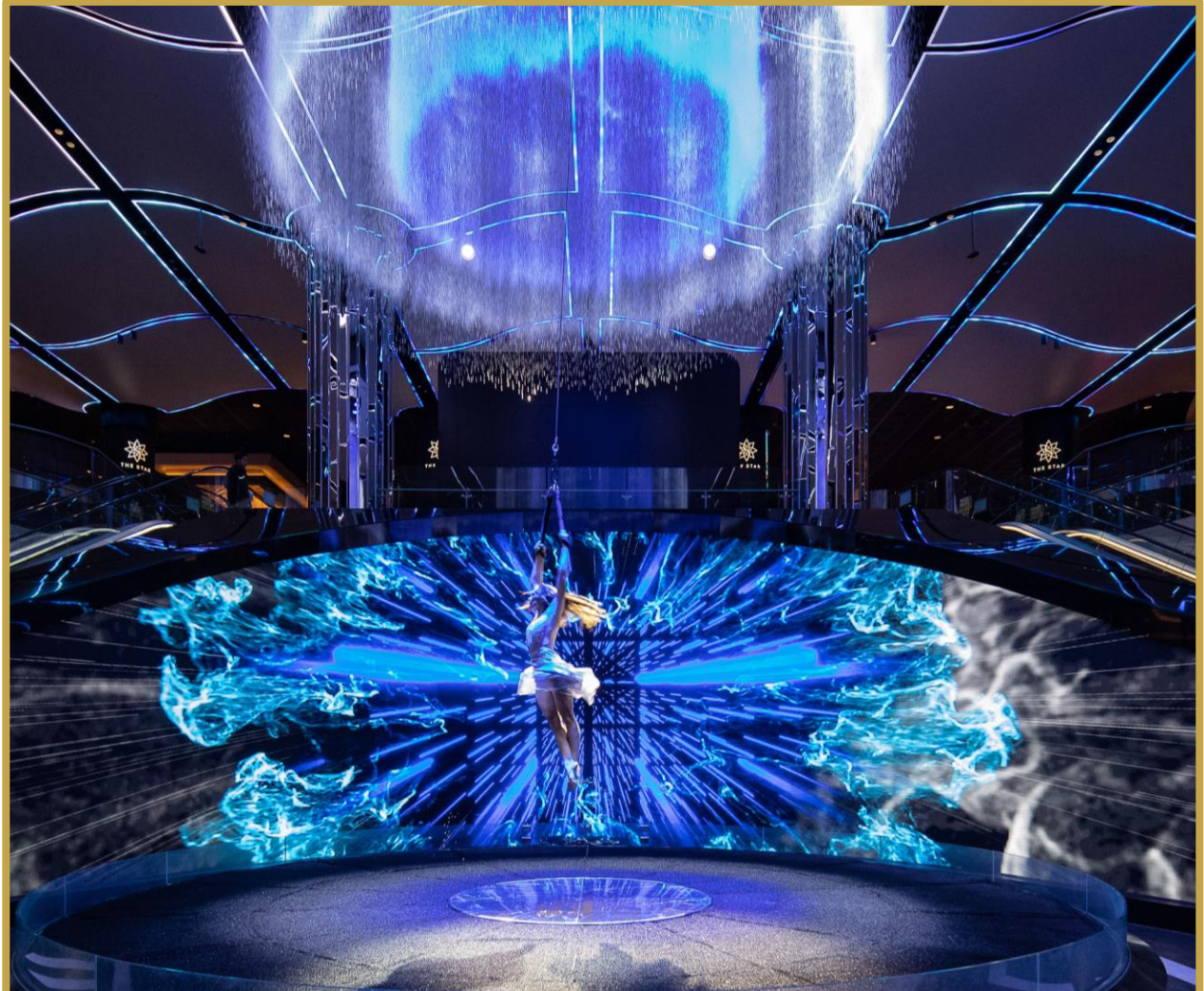
**JADE RABBIT – NEW MGF F&B
OPENED APRIL 2019**



**THE STAR LOBBY
OPENED MAY 2019**



**CHUUKA
OPENED JUNE 2019**



**GRAND FOYER
OPENED MAY 2019**

THE STAR SYDNEY SOVEREIGN RESORT



OCTOBER 2019



LOBBY

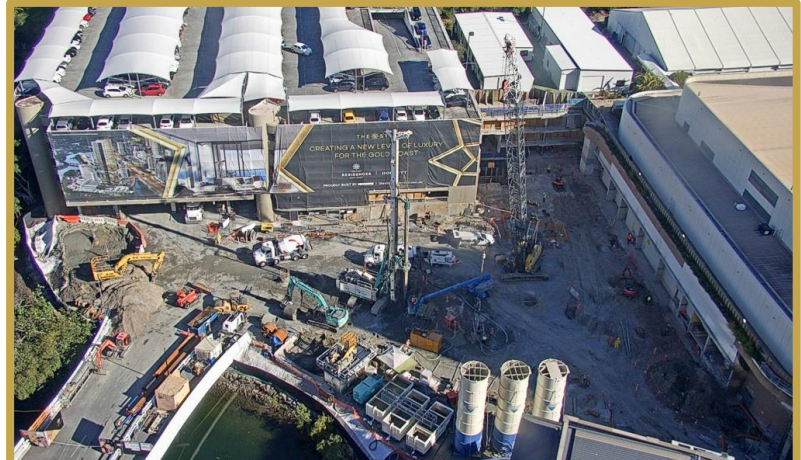


DINING

THE STAR GOLD COAST MASTERPLAN, TOWER 1 AND TOWER 2



THE STAR GOLD COAST
MASTERPLAN

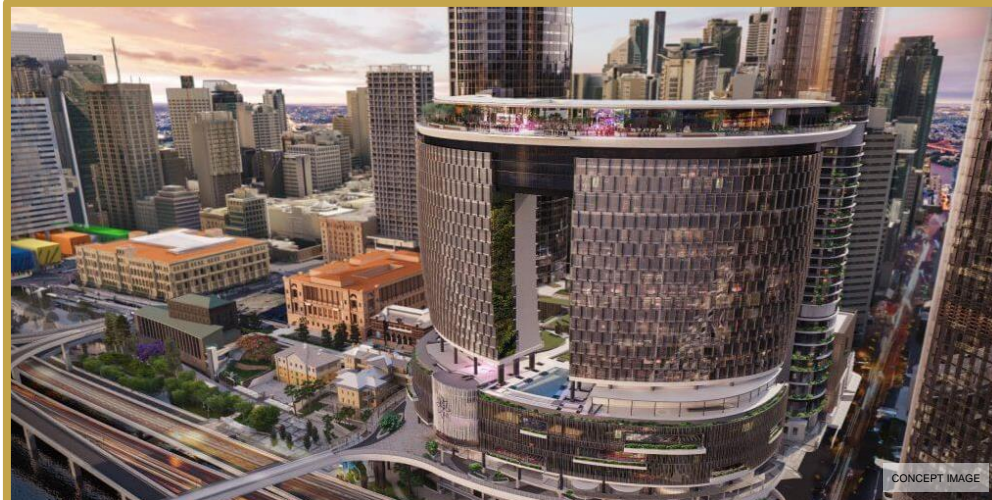


DORSETT HOTEL AND RESIDENCES (TOWER 1)
CONSTRUCTION UNDERWAY

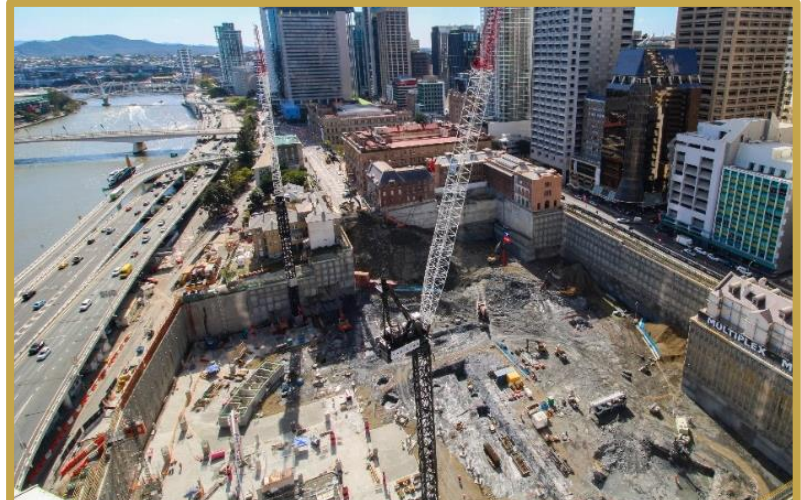


TOWER 2 HOTEL AND RESIDENCES
CONCEPT

QUEEN'S WHARF BRISBANE PROGRESSING TO PLAN



FRONT FACADE



AUGUST 2019



GEORGE STREET VIEW



OCTOBER 2019

PRIORITIES

Improve and Derisk Returns Across the Group

1

Execute on Centre of Excellence operating model

- ◆ Leverage improved capabilities
- ◆ Extract and retain efficiencies
- ◆ Build on solid PGR performance, improve MGF performance

2

Deliver on investment strategy

- ◆ Sydney
- ◆ Gold Coast masterplan
- ◆ Queen's Wharf Brisbane
- ◆ Chow Tai Fook/ Far East Consortium partnership

3

Manage competitive environment

- ◆ Sydney new entrant, fiscal arrangements
- ◆ Gold Coast casino market structure

4

Improve capital efficiency

- ◆ Reduce capital expenditure
- ◆ Potential capital recycling of supporting assets

APPENDICES

GROWTH DRIVERS

VALUABLE LICENCES IN ATTRACTIVE MARKETS

Valuable Licences

Long-dated

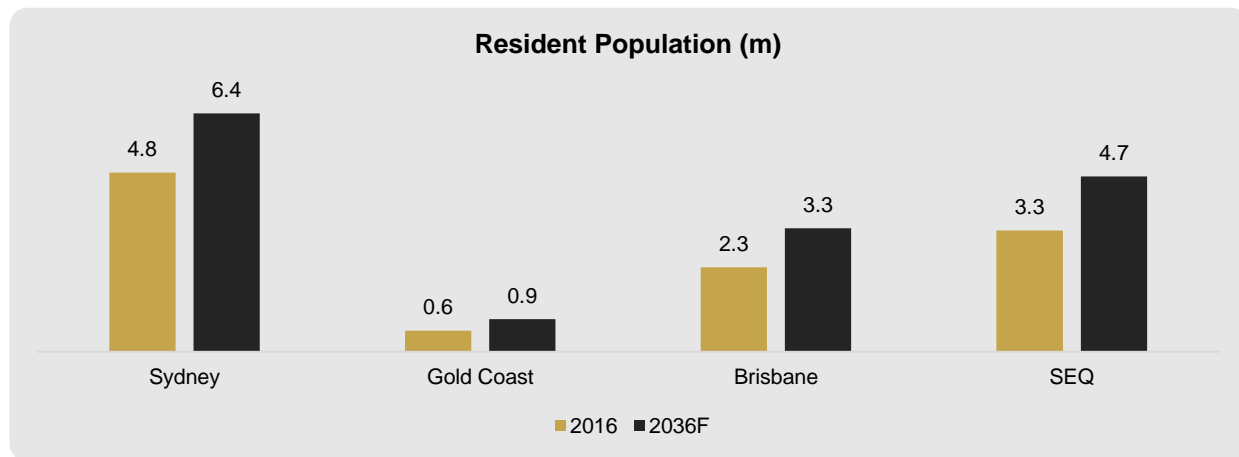
- ◆ 2093 earliest expiry

Product Differentiation vs Pubs/ Clubs

- ◆ Slots – no bet limits except Sydney MGF
- ◆ Tables – exclusive, unlimited
- ◆ MTGMs – exclusive in Qld, pubs/ clubs capped in NSW; unlimited

Large Local Catchments

- ◆ >8 m locals
- ◆ >11 m locals (+38%) by 2036



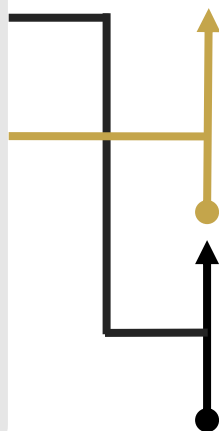
Sought After Destinations

- ◆ Sydney #1 and SEQ #3 largest visitor markets (domestic and international)
- ◆ Network effect – Sydney and SEQ “Best of Australia in 5 Days”

DOMESTIC GAMBLING EXECUTING ON PRIORITIES

Clear Priorities

- ① Increase share of wallet
- ② Expand loyalty base
- ③ Increase margin

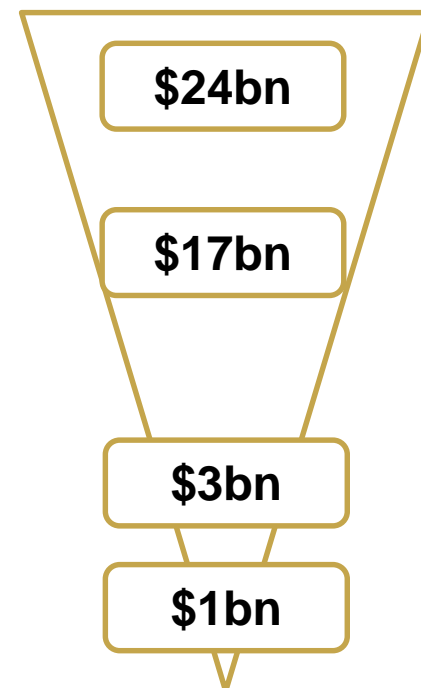


Australian Gambling Market

Casino and EGM Market

Existing SGR Loyalty Member Wallet

Existing SGR Loyalty Revenue



Execution Levers

Gaming and Marketing capabilities drive above system growth

Properties

- ◆ Destinational
- ◆ Scale and scope
- ◆ Networked

Product

- ◆ Differentiated and/or exclusive gaming product*
- ◆ F&B, hotels, retail

Loyalty

- ◆ Attract and retain patrons
- ◆ Data enables segmentation

Service

- ◆ Tiered approach

Source: Australian Gaming Statistics, * Dependent on product and jurisdiction

TOURISM

LONG-TERM GROWTH

Attractive Chinese Outbound

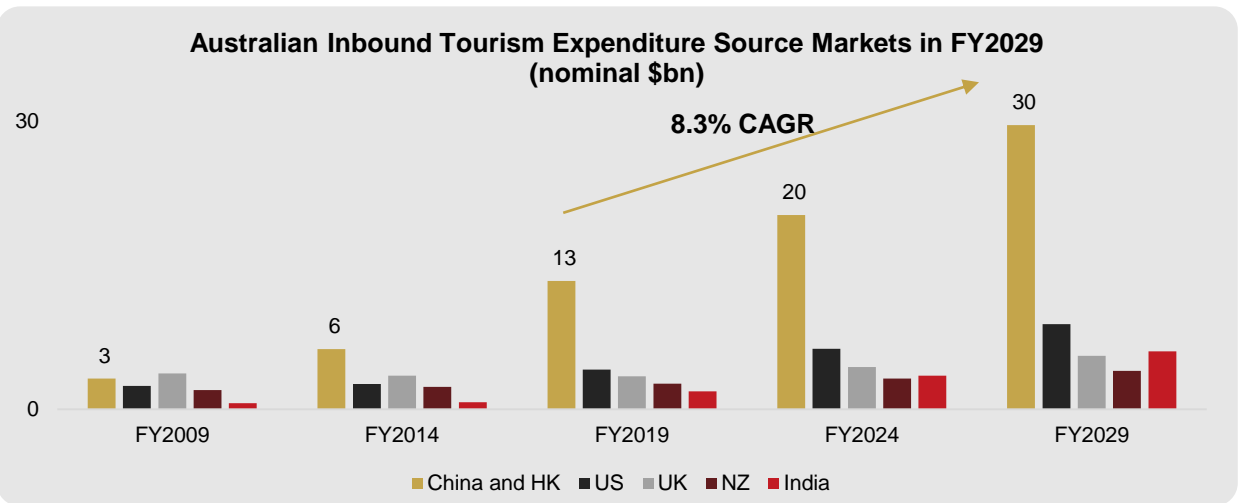
Large, High Growth

- ◆ 149m Chinese outbound 2018
- ◆ Up 14% on 2017

Premiumisation

- ◆ Higher spending independent travellers winning share
- ◆ Long-haul winning share

China Drives Growth



SGR Well Positioned

Sought After Destinations

- ◆ Sydney and South East Queensland

Premium Customer Focus

- ◆ VIP, International Premium Mass, premium travellers
- ◆ CTF and FEC distribution networks

Accommodation Capacity Growth

- ◆ Long-term hotel capacity growth underway/ planned with premium hotel rooms

Source: TRA, McKinsey, China Daily, UNWTO, COTRI, broker reports.

COMPLEMENTARY PARTNERS EXECUTING ON OPPORTUNITIES

Complementary Capabilities

- ◆ Australian and global project development
- ◆ Access Asian high value consumer, 6m loyalty members
- ◆ Capital contributions

Development



HK developer,
HK\$437bn asset value



Far East Consortium >\$2.8bn projects completed in Australia

Retail/ Distribution



HK jewellery group,
>2,300 point of sales



Department stores,
malls

Hospitality



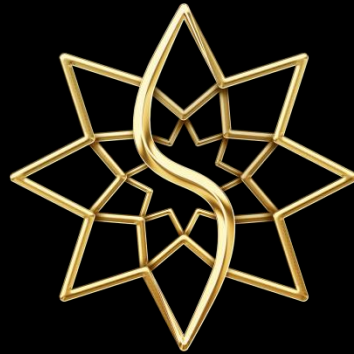
Global reach, "Asian Wallet" strategy

Aligned Interests

- ◆ Proven partnership – over \$3bn in planned investments
- ◆ Development Alliance – progress growth projects (Gold Coast, Sydney)
- ◆ Marketing Alliance – leverage CTF and FEC's networks
- ◆ Equity interest – CTF/ FEC 9.99% shareholding, seeking approval to increase

Execution Focus

- ◆ Execution through pre-qualified distribution networks for high value customers
- ◆ Near-term – customer segments identified with offers underway, incremental
- ◆ Long-term – growth in hotel capacity



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THANK YOU